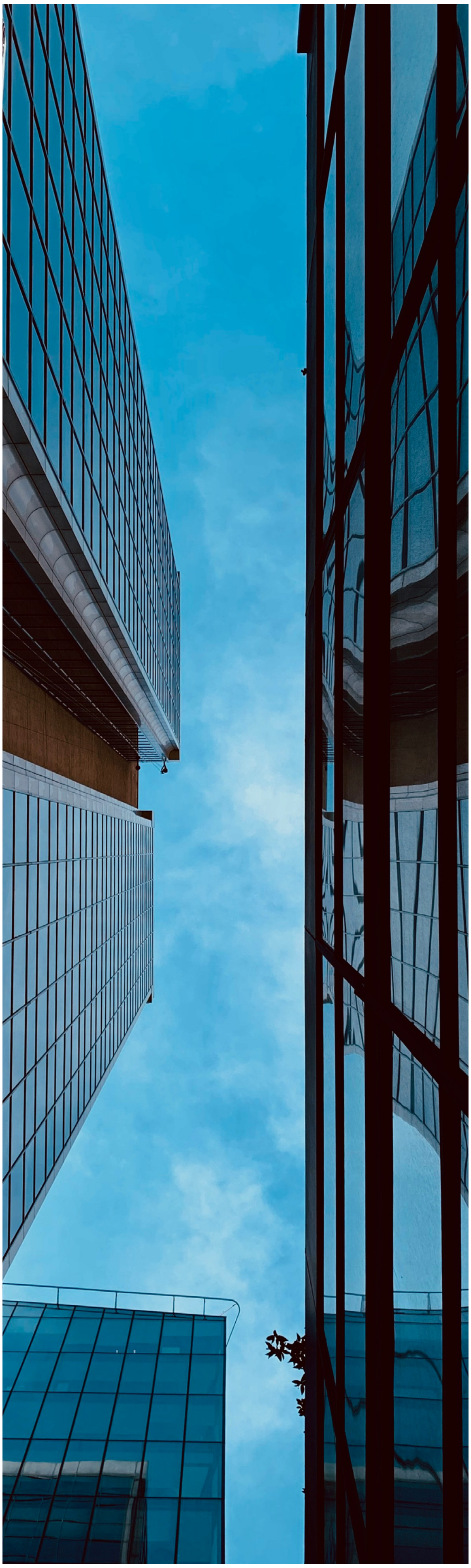
The Inheritance Tax revolution: Navigating the April 2026 changes to Business Relief and Agricultural Property Relief

A strategic guide for UK entrepreneurs

The landscape of UK inheritance tax is undergoing its most significant transformation in decades. With the publication of draft legislation on 21 July 2025, the government has confirmed that fundamental changes to Business Property Relief (BPR) and Agricultural Property Relief (APR) will take effect from 6 April 2026. For successful entrepreneurs who have built substantial businesses and accumulated significant wealth, these changes represent both challenges and opportunities that demand immediate strategic attention.

At Heligan Wealth Management and Heligan Corporate Finance, we understand that the entrepreneurial journey extends far beyond building successful enterprises – it encompasses the critical responsibility of preserving and transferring wealth to future generations. The forthcoming changes to inheritance tax reliefs will fundamentally alter how business owners and investors approach succession planning, requiring a complete reassessment of existing strategies and the development of new approaches to wealth preservation.



Understanding the core changes

The £1 million cap

The most significant change is the introduction of a combined £1 million allowance for 100% relief on qualifying APR and BPR assets. This represents a dramatic departure from the current unlimited relief system that has allowed entire business empires and agricultural estates to pass between generations without inheritance tax exposure.

Under the new regime, each individual will be entitled to claim up to £1 million of combined APR/BPR at 100% relief. Crucially, this allowance applies to the combined value of both business and agricultural assets, meaning entrepreneurs with diversified holdings across sectors will need to carefully prioritise which assets receive the full relief.

Any qualifying assets exceeding the £1 million threshold will attract relief at just 50%, effectively subjecting the excess to inheritance tax at 20% rather than the standard 40% rate. This creates an effective inheritance tax rate of 20% on business and agricultural assets above the threshold – a substantial increase from the current zero rate.

Non-transferable relief

Perhaps most significantly for married entrepreneurs and business partnerships, the £1 million allowance will not be transferable between spouses or civil partners. This contrasts sharply with the existing nil-rate band and residence nil-rate band, which automatically transfer on the first death. This fundamental change will require many couples to restructure their wills and estate planning arrangements to maximise the available reliefs.

The seven-year refresh cycle

The allowance will refresh every seven years for lifetime transfers, creating planning opportunities for those able to make strategic gifts well in advance of death. However, the allowance will remain fixed until 6 April 2030, after which it will increase in line with the Consumer Price Index.

AIM shares: A fundamental shift

For many entrepreneurs who have utilised AIM investments as part of their inheritance tax planning, the changes are particularly stark. AIM shares, which currently qualify for 100% BPR relief after a two-year holding period, will be reduced to just 50% relief from April 2026. Importantly, AIM shares will not benefit from the £1 million 100% relief allowance—they will be subject to the 50% relief rate regardless of value.

This change is expected to have substantial implications for AIM investments, with one analysis suggesting that an AIM portfolio worth £1 million, which currently passes inheritance tax free, will attract an IHT bill of up to £200,000 under the new rules.

Transitional provisions: The window of opportunity

The draft legislation includes crucial transitional provisions that create a narrow but valuable window for strategic action. Lifetime transfers of qualifying assets made before 30 October 2024 will continue to benefit from full 100% relief, even if the donor dies after 6 April 2026.

However, transfers made between 30 October 2024 and 5 April 2026 are subject to transitional rules. While the original transfer will be assessed under current relief rates, if the transferor dies within seven years, the transfer will be reassessed under the new, less generous regime.

This creates a compelling case for immediate action where appropriate. Entrepreneurs considering lifetime transfers should act swiftly, as the seven-year survival requirement remains unchanged, and the earlier gifts are made, the greater the certainty of benefiting from current relief rates.

Trust structures: New complexities and opportunities

The changes to trust taxation represent another layer of complexity. From 6 April 2026, new discretionary trusts will be subject to the £1 million APR/BPR limit. Each relevant property trust will have its own allowance, but where multiple trusts are established by the same settlor on or after 30 October 2024, the allowance will be applied chronologically.

Currently, transferring qualifying business or agricultural assets into trust attracts no immediate inheritance tax charge, and trustees pay no inheritance tax on ten-year anniversaries. This advantageous position will change dramatically from April 2026, with trust entries potentially triggering immediate charges.

However, there remains a window until April 2026 to establish trust structures under the current favourable regime. For entrepreneurs with substantial assets exceeding the new thresholds, settling assets into trust before the changes take effect could preserve significant relief, provided the seven-year survival requirement is met.

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Practical implications for entrepreneurs

1. **Valuation and assessment**

   The immediate priority for any entrepreneur with substantial business interests is obtaining current valuations of all potentially qualifying assets. This assessment should encompass trading company shares and business assets, investment property qualifying for BPR, AIM portfolio holdings, agricultural land and buildings, and any other assets potentially qualifying for relief.

   Understanding the current value and likely inheritance tax exposure under the new regime is essential for informed decision-making.

2. **Strategic gifting considerations**

   For entrepreneurs approaching or exceeding the £1 million threshold, lifetime gifting becomes significantly more attractive. The seven-year rule remains unchanged, creating opportunities for those with sufficient time horizons to reduce their taxable estates.

   However, gifting strategies must account for several factors: the donor's age and health, the need to retain sufficient assets for lifestyle requirements, capital gains tax implications of disposals, and the availability of holdover relief for certain transfers.

3. **Will and estate planning reviews**

   The non-transferable nature of the new allowance necessitates a fundamental review of will structures. Many existing arrangements that assume unlimited spousal transfers of business assets will require substantial modification.

   Entrepreneurs in partnership with spouses must consider restructuring ownership to ensure both parties can utilise their individual £1 million allowances effectively. This might involve equalising asset holdings or establishing separate business interests.

4. **The interest-free instalment option: A silver lining**

   One positive development within the legislative changes is the extension of interest-free instalment payments. From April 2026, inheritance tax on all APR/BPR-eligible property can be paid through equal annual instalments over ten years without interest charges.

   This represents a significant improvement on the current system, where instalments typically attract interest charges. For family businesses and agricultural enterprises, this provision could prove crucial in maintaining operations while meeting inheritance tax obligations, reducing the pressure to sell valuable assets to raise immediate tax payments.

Sector-specific considerations

Technology and growth companies

For entrepreneurs in high-growth sectors, particularly technology, the changes create specific challenges. Many tech entrepreneurs hold substantial stakes in companies that may exceed the £1 million threshold significantly. The inability to transfer unused relief between spouses compounds this issue where couples have built businesses together.

Property and investment businesses

Investment property businesses qualifying for BPR face particular scrutiny under the new rules. Entrepreneurs must ensure their property businesses continue to meet the qualifying criteria while considering how the reduced relief affects their succession planning.

Family farming operations

Agricultural entrepreneurs face a dual challenge: ensuring their operations continue to qualify for APR while managing inheritance tax exposures on valuable land holdings. The combination of the £1 million cap and the 50% relief rate on excess value could force difficult decisions about land sales or business restructuring.

Looking ahead: Strategic responses

Immediate actions

Entrepreneurs should prioritise comprehensive asset valuations and inheritance tax modelling, review of existing will and trust arrangements, assessment of potential lifetime gifting opportunities, and professional advice on timing and structuring of transfers.

Medium-term strategies

The period between now and April 2026 provides opportunities for restructuring asset ownership between spouses, establishing trust arrangements under current rules, strategic disposal of non-qualifying assets, and business reorganisations to maximise relief eligibility.

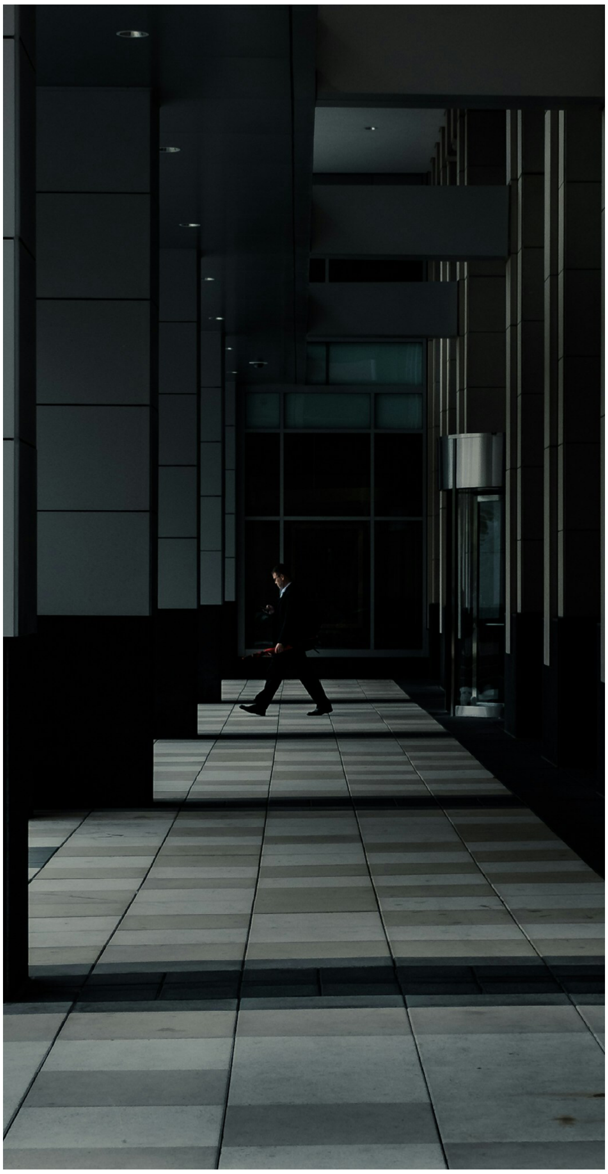
Long-term considerations

Post-2026 planning will require regular monitoring of asset values against thresholds, ongoing gift programmes where appropriate, succession planning aligned with new relief structures, and contingency planning for business sales or restructuring.

The broader economic context

These changes reflect the government's determination to increase inheritance tax revenues while maintaining some recognition of the unique challenges facing family businesses and agricultural operations. The Office for Budget Responsibility projects the changes will raise £0.5 billion annually from 2027/28, though this estimate carries significant uncertainty due to potential behavioural responses.

However, for successful entrepreneurs who have built substantial enterprises, the impact is undeniable. The era of unlimited inheritance tax relief for business assets is ending, requiring a fundamental reassessment of wealth transfer strategies.



Professional guidance: Essential for navigation

The complexity of these changes, combined with their profound implications for entrepreneurial wealth, makes professional guidance essential. The interplay between inheritance tax, capital gains tax, and business reliefs requires sophisticated analysis and careful coordination.

At Heligan, our intelligence-driven approach to financial services positions us uniquely to help entrepreneurs navigate this changing landscape. Our deep understanding of both corporate finance and wealth management enables us to provide comprehensive solutions that address the full spectrum of challenges these changes present.

The window for action under current rules is narrowing rapidly. Entrepreneurs who act decisively, with appropriate professional guidance, can position themselves to minimise the impact of these changes while preserving the maximum possible wealth for future generations. Those who delay may find their options significantly constrained, with potentially substantial additional inheritance tax liabilities.

The inheritance tax revolution is upon us. For UK entrepreneurs, the question is not whether to respond, but how quickly and strategically they can adapt to this new reality. The choices made in the coming months will determine the inheritance tax consequences for generations to come.

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Note: This bibliography reflects sources available as of Sept 2025. Given the evolving nature of tax legislation and ongoing consultation processes, readers should verify the current status of any proposed changes and seek current professional advice. All government publications are available through the official gov.uk website.